CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 24, 2000

S. 2438
Pipeline Safety Improvement Act of 2000

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on June 15, 2000

SUMMARY

S. 2438 would authorize appropriations for the Department of Transportation's (DOT's) Office of Pipeline Safety (OPS) for fiscal years 2001 through 2003 and would revise policies and procedures related to pipeline safety. It would direct DOT to issue and enforce new regulations and authorize a pilot program for state advisory councils on pipeline safety. The bill would allow OPS to use funds collected from fines and penalties to defray the cost of the pilot program, and such spending would not be subject to appropriation.

Other provisions would direct DOT's Bureau of Transportation Statistics to create a national database on pipeline safety and require DOT's Inspector General to prepare a report on fines and penalties assessed by OPS. Finally, the bill would require pipeline operators to implement a number of safety measures and would change the civil and criminal penalties for violating laws governing pipeline safety.

Assuming appropriation of the necessary amounts, CBO estimates that the net cost of implementing S. 2438 would be $31 million over the 2001-2005 period. That amount includes a net authorization of $26 million for OPS's pipeline safety programs and $5 million for activities at other agencies. Enacting S. 2438 would affect direct spending and receipts, so pay-as-you-go procedures would apply, but CBO estimates that such effects would not be significant.

S. 2438 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of those mandates would not exceed the annual thresholds established in UMRA. (The thresholds are $55 million for intergovernmental mandates and $109 million for private-sector mandates in 2000, adjusted annually for inflation.)

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2438 is shown in the following table. For this estimate, CBO assumes that S. 2438 will be enacted near the start of fiscal year 2001 and that amounts authorized by this bill will be appropriated for each fiscal year. Estimated outlays are based on historical spending patterns. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]					
Estimated Net Authorization Level [b]	9	10	10	1	1
Estimated Outlays	5	8	10	6	2

a. CBO expects that S. 2438 would increase revenues and direct spending, but we estimate that any such effects would not be significant.

b. The amounts shown are the differences between the bill's authorized funding and fee collections for each year.

BASIS OF ESTIMATE

CBO estimates that implementing S. 2438 would cost a total of $31 million over the 2001-2005 period, assuming appropriation of the necessary amounts. That estimate includes net spending of $26 million for OPS activities, reflecting the difference between authorized appropriations of $143 million and authorized collections of $117 million from pipeline user fees over the five-year period. A total of $37 million has been appropriated for OPS activities for fiscal year 2000, of which $30 million is offset by pipeline user fees. Both spending and user fees would increase under S. 2438, but the spending levels authorized by the bill would continue to exceed the amounts collected from fees. The bill would authorize the appropriation of $43 million in 2001 and $50 million in each of the fiscal years 2002 and 2003, with corresponding user fees of $35 million and $41 million, respectively. Hence, CBO estimates that the bill would authorize a net appropriation of $8 million in 2001 and $9 million in each of the fiscal years 2002 and 2003.

While the amounts collected from pipeline user fees are classified as offsetting receipts, CBO estimates that this legislation would not affect direct spending because the level of collections would be contingent upon future appropriations. (Although S. 2438 would authorize future collections, the amounts of gross spending and offsetting fees are determined in annual appropriation acts.)

CBO estimates that other agencies would spend about $1 million annually to implement the bill. According to the Bureau of Transportation Statistics, creating and maintaining a national database on pipeline safety would cost $1 million in 2001 and $500,000 annually after 2001. Based on information from the Office of the Inspector General of DOT, CBO estimates that the study on fines and penalties assessed by OPS would cost less than $250,000.

The provisions in S. 2438 regarding civil and criminal penalties would affect direct spending and governmental receipts (revenues). S. 2438 would increase minimum and maximum civil penalties and would make certain changes to existing criminal penalties for violations of pipeline safety law. Collections of civil and criminal penalties are recorded in the budget as governmental receipts. CBO estimates that implementing this legislation would increase such receipts by less than $500,000 a year.

Under current law, governmental receipts derived from criminal penalties are deposited in the Crime Victims Fund and spent in subsequent years. S. 2438 would authorize OPS to spend amounts collected from fines and penalties on the pilot program for state advisory councils. CBO estimates that any net direct spending resulting from this legislation would be insignificant because we estimate that the additional revenue that could be spent by either the Crime Victims Fund or OPS would total less than $500,000 annually.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting S. 2438 would result in changes in direct spending and governmental receipts of less than $500,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2438 contains both intergovernmental and private-sector mandates as defined in UMRA because it would impose new requirements on operators of natural gas and hazardous liquid pipelines. Most natural gas pipeline operators are private entities, but some are public entities; hazardous liquid pipelines are privately owned. CBO estimates that the costs of the mandates would not exceed the annual thresholds established in UMRA. (The thresholds are $55 million for intergovernmental mandates and $109 million for private-sector mandates in 2000, adjusted annually for inflation.)

Mandates

Sections 4 and 5 would direct pipeline operators to make available to DOT plans to enhance pipeline personnel qualifications, reduce the likelihood of accidents and injuries, and periodically test pipeline integrity using certain inspection methods. According to DOT's Office of Pipeline Safety, enacting these sections would not alter the agency's current authority and would not result in any significant changes to regulations compared to those which the agency would make under current law. Based on this information from OPS, CBO estimates that enacting these sections would impose no significant costs on pipeline operators.

Section 7 would require pipeline operators to design and implement a public education program to instruct the community on damage prevention, the hazards of unintended releases, and procedures in the event of release. The section would direct pipeline operators to maintain a liaison with state and local emergency response agencies and provide them with detailed information about their pipeline facility and how it operates. Further, the bill would require that the public have access to such information, stating specifically that the data be made available through a widely accessible computerized database. According to OPS, enacting this section would require pipeline operators to publicize additional information relative to current practice. This section, therefore, imposes a new intergovernmental and private-sector mandate. Because the extent of the information to be furnished by pipeline operators will depend on how DOT writes the rule and on the amount of public interest in pipeline data, CBO cannot estimate the exact cost of this mandate. However, based on information provided by DOT and industry representatives, CBO expects that the direct costs of complying with the provisions in section 7 would fall well below the UMRA thresholds. According to those sources, pipeline operators already make such information about their pipelines widely available.

The purpose of section 10 is to enhance DOT's ability to collect and distribute pipeline information in order to improve analysis of hazardous pipeline incidents. The bill would direct the Secretary of Transportation to establish a national depository for such information to be made available to state and local planning and emergency response authorities and to the public. The bill would further require operators of hazardous liquid pipelines to report to DOT each release exceeding five gallons into the environment. Current law calls for the reporting of emissions exceeding 50 gallons of hazardous liquids or carbon dioxide. Section 10 contains a new private-sector mandate because it would impose an additional reporting requirement on hazardous liquid pipeline operators, thereby increasing the cost of an existing mandate. According to OPS, however, operators of hazardous liquid pipelines already voluntarily report most of this information through a pilot program developed by DOT. Therefore, CBO estimates that the mandate imposed by this section would impose minimal costs on operators of hazardous liquid pipelines.

Section 12 would authorize to be appropriated a total of $43 million in fiscal year 2001, of which $35 million is to be derived from user fees, and $50 million for each of fiscal years 2002 and 2003 of which $41 million in each year is to be derived from user fees. DOT collects those user fees from operators of natural gas and hazardous liquid pipelines. The fee levels authorized by the bill would increase the fee amounts that would otherwise be collected under current law. The requirement to pay those fee increases would be a mandate under UMRA. CBO estimates that the new fee levels authorized by the bill would increase the amount collected by $4 million in 2001, $10 million in 2002, and $9 million in 2003 compared to current law. The cost of this mandate would, however, depend on the amount of future appropriations. Based on information from the American Public Gas Association, most of these fees would be paid by private-sector entities, but about 1 percent would be paid by governmental entities such as publicly owned gas utilities.

Other Impacts

Under current law, DOT is authorized to enter into agreements with states under which the states implement federal pipeline regulations applying to intrastate gas or hazardous liquid pipelines. Section 5 would authorize states under such agreements to review and assess operators' risk analyses and integrity management plans, and to provide the Secretary with written assessments of those plans. Section 9 would expand the Secretary's authority to delegate to states the oversight of interstate pipelines. Carrying out additional reviews and oversight responsibilities would increase regulatory costs for the states, but the costs would be incurred voluntarily.

Of the total amounts authorized to be appropriated, section 12 authorizes $17 million for fiscal year 2001 and $20 million for fiscal years 2002 and 2003 for state grants to reimburse up to 50 percent of the cost of state pipeline safety programs.

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